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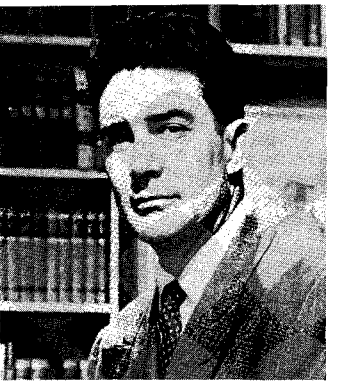

DAN SMOOT

ALLIANCE FOR PROGRESS—PART II

In 1950, an American dollar was worth 18.3 Brazilian cruzeiros. By January, 1962 (despite inflation of U. S. currency), the dollar would buy 350 cruzeiros.

In January, 1963 (shortly after the United States had granted Brazil another "special" loan of 30 million dollars to "help stabilize the currency"), I visited Brazil. The night I arrived, an American dollar would buy 600 cruzeiros. My guide advised me not to exchange any money that night, however, because, he said, I would probably get a better rate of exchange the next day. I did. The next morning, I bought 650 cruzeiros for one American dollar. When I left Brazil eight days later, the rate was fluctuating between 750 and 800 cruzeiros to one American dollar.

During my stay in Brazil, I interviewed numerous people (middle-class Brazilians, resident Americans, an official of the United States Information Agency, and so on). All of them cited the building of Brasilia as the primary reason for the inflation.

Government Extravagance

Brasilia is the new capital of Brazil, located in the wilds of Goias, on the Brazilian highlands, about 600 miles inland from Rio de Janeiro, the former capital. Construction on the city was begun in 1957, during the administration of President Juscelino Kubitschek. There were no inhabitants in the region and no roads to it. Construction steel and most of the heavy machinery were brought in from the United States. Highways were built through hundreds of miles of uninhabited country to the major coastal cities of Brazil. And Brasilia was dedicated as the new national capital in 1960.

I examined the city of Brasilia, closely and carefully, in January, 1963, when it was less than six years old. Decay and dilapidation have already set in. It is probably the world's foremost contemporary monument to the folly of a politically motivated, socialistically planned economy.

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Oscar Niemeyer — Brazilian architect who helped design the United Nations building in New York — designed all buildings in Brasilia. Photographed from a distance, they make striking postcards and fine illustrations for an article in *National Geographic;* but, examined at close range, as places where people are supposed to live and work, they are ugly. Niemeyer himself apparently shares my opinion. He does not live among the modernistic oddities which he designed for other people to occupy: he built for himself an old-fashioned Brazilian colonial outside the city. The futuristic buildings, of spectacular design, reveal inferior construction. Most are still empty and unfinished. Some apartment houses that are occupied, already show signs of becoming slums.

Most of the people in the federal district of Brasilia still live in the construction-camp slums that formed when workers were first brought in six years ago. The costly highways running to the coastal cities are, like the wide avenues of Brasilia, empty of traffic.

President Kubitschek, a leftwing socialist, practically bankrupted his nation to build this preposterous monument to himself. The political argument for his folly was that, by placing the national capital inland, the government would spur migration from the crowded coastal cities to the vacant interior, where the climate is good, and fertile soil is abundant.

The scheme has failed miserably. Brasilia is a modernistic ghost town, where no one wants to live. Brazilians prefer the fleshpots of Rio.

Without exception, every Brazilian I talked to about Brasilia called it a white elephant. Yet the nation is now stuck with it. Although there is a vast quantity of unfinished construction in the city, there is little construction work presently being done. I doubt that it will ever be finished; and the cost of maintaining it as is, for a national capital, is quite enough to overburden the Brazilian economy.

It is impossible to say how much Brazilian tax money and how much American tax money went into the construction of Brasilia. During the six years of its existence, we have given the Brazilian government more than enough to pay for the whole thing; but it is obvious that all of our foreign aid money was not diverted into this gigantic fiasco. Our money has been spread around a bit, to underwrite the activities of other leftwing Brazilian politicians, to line their pockets, and to encourage harmful extravagances on the part of government, and reckless spending on the part of the people.

Private Extravagance

Aided and encouraged by a foreign government to spend money it does not have, the Brazilian government feeds the fire of inflation which is consuming the nation. Some of the consequences are obvious, despite thick layers of propaganda, which misrepresent them to the world. Look, for example, at Sao Paulo, largest city in Brazil, generally called the Chicago of South America, and frequently rhapsodized as a place which "inspires awe," a "very model of modern municipal grandeur, a vision of the 21st century."[1]

In fact, Sao Paulo is a grim, and dangerous, monument to reckless economic activity artificially stimulated by a socialistic government. From the downtown hotel room I occupied in Sao Paulo, I could count upward of 50 unfinished skyscrapers. A casual glance at such evidence of boom and bustle does inspire awe. But a closer look inspires something else.

Work has obviously been abandoned on most of these unfinished buildings. Some of them have been "under construction" for more than ten years; and shabby masonry is already crumbling in many buildings which may never be finished and used. No structural steel is used in any of these new skyscrapers. They are built of reinforced concrete columns. The walls are made of a soft, cheap-looking locally-made brick, poorly laid by unskilled hands. The brick is covered with plaster, and the whole building (those, that is, which have

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reached this stage of "completion") is faced over with a brilliant Brazilian tile which gives an appearance of solidity and beauty.

No one knows whether such buildings could stand a moderate earth-tremor, or even a wind of hurricane proportions. An American engineer, who works in Sao Paulo, expressed to me the fear that one good shock would leave Sao Paulo a vast heap of broken concrete and shattered masonry. As to that, no one can definitely say; but the economic, social, and political consequences of such construction activity — throwing up, in reckless profusion, costly buildings which are abandoned, to decay and ruin before they are ever finished — are obvious.

Some of the unfinished buildings of Sao Paulo were built with "government money" — that is, American tax money, given to the Brazilian government as foreign aid, and then lent to private speculators. But, apparently, most of the buildings were privately financed.

Why would individuals put their money into such construction, much of which is never finished? Having lost confidence in their currency, they were trying to put it into real estate, something of permanent value. They could get enough money to start a building, from private syndicates which charged interest rates ranging as high as 48% per year. But often, before completion, interest and further currency-depreciation had consumed all working capital — and no more was available.

As Brazil Goes...

Occupying about half of the land area of South America, Brazil dominates the continent. As Brazil goes, so may go the rest of Latin America. And Brazil, in the hands of pro-communist politicians, whose policies are being financed by American tax money through Alliance for Progress, is headed straight for communism.

A look at recent Brazilian political history should make this clear.

From 1934 to 1945, Getulio Vargas ruled Brazil as a dictator, his administrative system patterned after the corporate state system of fascist Italy. During his reign, he set up the Brazilian Labor Party, which continued to dominate Brazilian politics even after Vargas was overthrown by the Army in 1945.

Vargas returned to the Presidency in 1950, having won in the elections by an overwhelming majority. In the name of economic nationalism, he socialized the Brazilian petroleum industry and extended government control over all other industries — even to the extent of limiting the amount of profit which foreign corporations could withdraw from Brazil.

Nonetheless, the United States Government set up, with Vargas, a joint commission for economic development in Brazil, and supported his schemes. Fear that Vargas (with United States aid) was restoring his dictatorship, caused criticism which grew until, in August, 1954, Vargas' palace guard attempted to assassinate him. Vargas committed suicide on August 24, 1954.

Elections for a new President were held the following year, 1955. Two of Vargas' followers — Juscelino Kubitschek and Joao Goulart (who had been Secretary of Labor under Vargas) won the offices of President and Vice President.

Kubitschek and Goulart were inaugurated in January, 1956. During the elections of 1955, they had been formally supported by communists. After their inauguration, they "repudiated" the communists, and announced a policy of friendly co-operation with the United States.[2] This, of course, opened the sluice gates for a flood of American tax-dollars which enabled Kubitschek to start the building of Brasilia — and to initiate other policies which sped the chaotic depreciation of Brazilian currency.

Under the Brazilian Constitution, Kubitschek could not succeed himself as President. In the elections of 1960, Janio Quadros was

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elected President. Joao Goulart was re-elected Vice President. They were inaugurated in January, 1961.

Quadros proclaimed a neutralist foreign policy. He resumed diplomatic relations with the communist regimes of Albania, Bulgaria, Hungary, Rumania; he expressed support for the "original aspirations" of the Cuban revolution of Castro; he exchanged trade missions with communist China and the Soviet Union — and sent *financial envoys* to the United States.

Quadros stirred up a storm of protest in Brazil by publicly decorating "Che" Guevara, Castro's communist minister of finance. The storm never died; and on August 25, 1961 — having been in office less than seven months — President Quadros abruptly resigned and left the country.

The office of President fell to Vice President Goulart, who was on his way back to Brazil from a visit to communist China.

Goulart's record of leftwing activities — of working with and through communists and their sympathizers — aroused the fears of many Brazilians, including the military, who opposed his succession to the Presidency.

Before Goulart was permitted to become President, the Brazilian Congress adopted a constitutional amendment which set up a parliamentary form of government, transferring principal executive authority from the President to a Council of Ministers.[3]

When finally inaugurated as President, Goulart surrounded himself with pro-communist assistants, proclaimed his devotion to the "neutralist" foreign policy of Quadros — and then made a state visit to the United States. In Washington, he spoke to a joint session of Congress, scolding the American legislators for giving so little money to Brazil, and demanding a new and immediate gift of another 500 million dollars.[4]

Returning to Brazil with almost groveling assurances, from the Kennedy Administration, of increased Alliance for Progress aid, President Goulart, thus elevated in prestige, took immediate steps toward eliminating the parliamentary system so that he could become a virtual dictator.

His communist and pro-communist underlings, working through the Brazilian Labor Party and the unions, incited a series of riots and strikes throughout the nation.[5] The resulting chaos and economic stagnation created a demand (planted and nourished, of course, by Goulart's henchmen) for elimination of the cumbersome parliamentary system, and for restoration of a "strong presidency" which could "do something" in the crisis.

The Brazilian congress resisted, but eventually decided that the issue must be put to the people in a national plebiscite, to be held on January 6, 1963.

Goulart played his trump card just a short time before the voting occurred. In December, 1962, he proclaimed a "law" ordering all business firms operating in Brazil to pay an extra month's salary to all workers.

This fine bonus, for which Goulart got credit, did the job it was supposed to do: Goulart won by a five-to-one margin in the national plebiscite of January 6, 1963. All obstacles against Goulart becoming an elected pro-communist dictator — with promises of American Alliance for Progress tax dollars to back him — are now removed.

I talked to responsible Brazilians, and to resident American businessmen, about the December bonus which Goulart ordered all business firms to pay. How could the firms stand such a blow? Simple! American firms (many of which are operating under guarantees-against-loss from the American government) paid the bonus and took the loss, which would in due course be passed on to American taxpayers.

Brazilian firms which could not stand to pay the bonus were permitted to go under — if their management was not friendly to the Goulart regime, or if the administration

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wanted to gain control of their properties. Brazilian firms friendly to the Goulart administration were given federal tax rebates large enough to cover the enforced bonus payments. The resultant loss to the Brazilian national treasury was covered by Alliance for Progress money from the United States, and by more worthless printing-press Brazilian currency.

Alliance for Politicians

American aid money enabled Kubitschek to build Brasilia, for the purpose of spurring Brazilians to migrate inland; and American aid money has helped guarantee the failure of the migration scheme.

With American aid money, Brazilian politicians periodically feed and entertain the lazy and illiterate thousands who crowd into the squatters camps of Rio and other large coastal cities. If they moved to the interior, they would have to work — and they would miss all the free fun.

With American aid money, the Brazilian government also caters to the urban vote by subsidizing certain food costs for certain groups of city voters. Some low-rent Alliance for Progress housing (owned and controlled by the Brazilian government) has already been completed in the big coastal cities; and vast quantities more are promised. Why should easy-going Brazilians give up the reality and prospects of such easy, American-subsidized living, to face the rigors of work and self-support in the undeveloped interior?

An article entitled "U.S. Betting on Mexico — But There's Trouble Ahead," in the February 25, 1963, issue of *U.S. News & World Report*, reveals that the same sort of thing is happening in Mexico. Indeed, it is happening all over Latin America.

Only Leftwingers

The only Latin American politicians which the Kennedy Administration will support with our Alliance for Progress tax dollars are the leftwingers — socialists and pro-communists. Note, for example, this significant item from the front page of the December 17, 1962, issue of *The News*, an English-language newspaper published in Mexico City:

"President Jorge Alessandri of Chile today wound up a week-long visit to the United States, which he is confident helped dispel impressions that his government is too conservative to lead in the drive to bring economic and social reform to Latin America.

"Chile and Colombia have been singled out by the Kennedy Administration for large-scale aid under the Alliance for Progress."

These leftwing politicians use American money to create socialistic enterprises, thus destroying private enterprise. Note, for example, these passages from the *U. S. News & World Report* article on Mexico, mentioned above:

"Mexican businessmen and foreign investors are concerned . . . over steady and increasing inroads by the Government into industry and manufacturing. . . . a gradual expansion of Government ownership of a vast network of businesses. . . . [ranges] from railroads, electric power, petroleum and natural gas, steel mills, and airlines to automobile production and drug manufacture.

"As a result, a new class of public officials has developed in Mexico. These are the directors and administrators of the Government-run industries. They have all the prestige and power of business ownership, plus the power of Government — all without risk of their own money.

"To this new type of managers and administrators, it seems perfectly normal that the Government continues to expand its participation in the economy and to regulate that which it does not own. The result has been a marked increase in Government control of business through legislation, decrees, import controls, and licenses."

American tax money is financing this communizing of Mexico — and an even greater program is being planned. Note these passages from the same *U. S. News & World Report* article:

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"Mexico, it now appears, is to be built up as a show place of the Alliance for Progress in Latin America.

"Plans for injections of huge sums — up to 3 billion dollars — into the Mexican economy are under study here by officials of the U.S.-sponsored Alliance and the World Bank. . . ."

Results

And what are the results of these injections of huge amounts of American tax money, through the hands of leftwing politicians, into the economy of Mexico? From the *U.S. News & World Report* article on Mexico:

"Private businessmen, alarmed by this trend [toward government ownership and control of business] have reacted by spurning new investments in Mexico and turning to less vulnerable investments abroad. Flight of capital from Mexico in 1961, mainly due to concern over this factor, is conservatively estimated at 150 millions."

Private capital in Latin America is the only hope for gradual transformation of agrarian, semi-feudalistic societies (through an orderly process of growth) to the point where the people can understand, sustain, and perpetuate modern industrialism.

Our Alliance for Progress money is rapidly driving out all of the private capital and encouraging governments to spend money they do not have. As we pour our tax money in, private investors pull theirs out and stash it away in Swiss banks, or invest it in European industry. At the same time, our aid money is financing the destruction of governmental systems and social arrangements which are the only protection against wild disorder and bloody violence.

And when blood runs in the streets, we will get the blame, because we are so closely identified with the policies producing the disorder. One by one, the Latin American nations (with Brazil, perhaps, in the vanguard) may turn to outright communist dictatorships as the only way to restore "law and order."

They Know What They Are Doing

It cannot accurately be said that our governmental leaders do not understand what is happening in Latin America. In the latter part of 1961, Senator Mike Mansfield (New Frontier Democrat from Montana, who is Senate Majority Leader) spent a few days in Brazil as a member of a Senate Study Mission. On January 22, 1962, he reported his observations on Brazil to the Senate Committee on Foreign Relations. Here are extracts from Senator Mansfield's report:[6]

"Inflation . . . discourages personal savings and impairs long-term investment in productive enterprise. It has pushed interest rates up to 3 and 4 percent a month. A great deal of capital has been diverted into speculative, if spectacular, real estate construction and other enterprises with low social value. . . .

"It is impossible to form an estimate of the amount of indigenous capital that has fled the country and is now held in Europe and the United States. Nevertheless, in informed circles in Brazil, the belief is general that the amount is very great. At the same time, foreign capital is showing hesitancy in flowing into Brazil. . . . It is not unreasonable to suppose that the hesitancy is likely to grow if financial chaos continues to threaten in Brazil and if the recent indications of political hostility to foreign business persist. . . . Within Brazil, moreover, credit has flowed very loosely, encouraging speculation and profiteering. At the same time, there have been large deficits in the Government budgets, year after year. . . .

"For the most part, the . . . poor have poured into and around the cities from rural areas, in the hope of finding living conditions which might be superior to those in the impoverished countryside. . . .

"The northeast contains 25 million inhabitants, more than a third of Brazil's population. It is a region of immense stretches of empty lands, forests, and a few vast agricultural estates, and innumerable subsistence farms. . . . The region has characteristics which are similar to those in impoverished agricultural sectors of the Mediterranean countries . . . and in some underdeveloped regions of Asia. Per capita income is in the

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neighborhood of $100 a year. . . . Infant mortality rates are high and average life expectancies short. Illiteracy is wide-spread. There is very limited availability of modern medical care and other social services. . . .

"The planning agency for the development of the northeast . . . is known in Brazil as Sudene. . . . The Sudene concept. . . . will involve vast outlays of funds, Brazilian and foreign. . . .

"Neither technical shortcomings nor financing, however, may be the major question mark as to the feasibility of the Sudene plan. The more fundamental difficulty may lie in Brazilian society. . . ."

There, Senator Mansfield puts his finger on one fatal flaw in all of our aid programs to underdeveloped countries. A nation of people who are incapable of producing a complex, modern industrial society are quite incapable of maintaining one. They have had enough contact with modern society to yearn for its material benefits; but, in this yearning, they are like small children who wish for a high-powered automobile to do with as they please. Outside efforts (such as we are making) to give the underdeveloped peoples an industrial economy (before they have gone through generations of slow self-development that is necessary to produce one) will be harmful to them and to others, just as giving the child an automobile would be.

Senator Mansfield touches on some of the dangers involved in our aid programs to Brazil (and, similarly, to other Latin American countries). He says:

"This nation's policies with respect to Brazil tread a very delicate line, particularly as they pertain to the Alliance for Progress. . . . What is not yet clear is whether aid can, in fact, contribute to evolutionary change. On the contrary, there is a strong presumption in present circumstances that significant assistance will not do much more than prolong and intensify the present unsatisfactory situation.

"Moreover, such assistance will link us very closely with that situation, and if it then collapses, all of our interests are likely to be more adversely affected than would otherwise have been the case."

Yet, Senator Mansfield continues among the foremost in supporting Kennedy's massive Alliance for Progress aid program.

What Should Be Done?

I do not know — and, obviously, no one else knows — how to solve these critical prob-

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lems in South America. Our government has no constitutional right to try to solve them. We should, therefore, compel the Congress of the United States to stop the Alliance for Progress program abruptly.

Would not all the Latin American nations then turn to communism? Perhaps. But now we are speeding their march toward communism with our aid.

If we pauperized the United States by giving all of our wealth to the cause of promoting a prosperous, stable Latin America, we would still fail; and, by our effort, we would hurt the people of Latin America more than we would help them.

Even if the Latin American people were capable of absorbing and using constructively the help we give them, there is not enough wealth in the United States to raise a nation like Brazil to the level of educational, scientific, cultural, commercial, and industrial development that prevailed in Czechoslovakia in 1948. But even if our aid could uplift Brazil to that extent — would that keep the communists from taking over, as they took over the advanced and highly developed nation of Czechoslovakia?

The fact is that the disease of communism does not breed in the bellies of men.

Statistics

Direct U.S. aid to Alliance for Progress countries from 1946 to August, 1962, is as follows:[7]

Argentina	$1,027,300,000
Bolivia	286,400,000
Brazil	3,193,400,000
Chile	904,700,000
Colombia	576,100,000
Costa Rica	136,700,000
Dominican Republic	9,400,000
Ecuador	139,000,000
Guatemala	207,900,000
Haiti	127,700,000
Honduras	54,300,000
Mexico	1,246,500,000
Nicaragua	98,400,000
Panama	121,100,000
Paraguay	68,600,000
Peru	630,600,000
San Salvador	23,400,000
Uruguay	120,400,000
Venezuela	333,600,000
TOTAL	$9,305,500,000

FOOTNOTES

(1) "Giant Brazil," *National Geographic*, September, 1962, p. 306
(2) *Encyclopedia Americana*, Vol. 4, p. 451c
(3) *This Changing World: For Commanders: Armed Forces Information and Education*, published by the Department of Defense, Vol. 1, No. 8, 1 November 1961
(4) Newsletter of United States Representative Richard H. Poff (Republican, Virginia), dated April 16, 1962
(5) "Toward a Soviet Brazil," by Robert Morris, *The Wanderer*, January 17, 1963
(6) *Brazil and United States Policies: Report of Senator Mike Mansfield to the Foreign Relations Committee, United States Senate*, U. S. Government Printing Office, February, 1962
(7) "Our Crazy Foreign Giveaway Program; Extension of Remarks of Hon. Alvin E. O'Konski of Wisconsin," *Congressional Record*, August 6, 1962, pp. A5998, A5999

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He worked as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report.*

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